

The Real Deal about the Fate of Santa Cruz County's Electricity System

By Jeff Hatch-Miller

In Hugh Holub's June 8, 2005 guest opinion regarding recent electrical outage in Nogales, he spins an interesting tale to Santa Cruz County residents, heaping blame on the Commission for years of alleged inaction. Mr. Holub is rewriting history. The Commission did not let Tucson Electric Power (TEP) or Unisource Energy (formerly Citizens) "off the hook." Here's the true story. You can check it out for yourself with information filed with the Commission.

The need for a second transmission line to Santa Cruz has been known since 1971. However, it was not pursued due to lack of funds until 1999 when the Commission ordered Citizens to construct a second transmission line by December 31, 2003. In the late 1990s, outages on the 115 kV line were frequent and lengthy. As a result, the City of Nogales in 1998 filed a formal complaint with the Commission against Citizens. Grievances ranged from claims of equipment damage, flickering lights and interference with T.V. reception. Based on this information and its own inquiry, the Commission concluded that service quality was substandard.

In 1999, the Commission approved a settlement agreement between Citizens and Nogales that dismissed the complaint and ordered Citizens to give customers in Santa Cruz County a one-time direct payment of \$15. Most importantly, Citizens and the City of Nogales developed an action plan to improve service reliability, which would later be approved by the Commission.

In January 2002, the Commission approved TEP's Gateway 345 kV transmission project, which should have been in operation by now. The Gateway Project, which would add a second transmission line from Tucson to Nogales and enabled interconnection with Mexico, would have greatly enhanced reliability in Santa Cruz County. However, the proposed route ran through U.S. Forest land and required federal approval. The U.S. Forest Service took more than a year to study the plans before rejecting the proposed route, citing an adverse environmental impact. It recommended an alternative route running through the Tubac corridor, an alternative never considered by the Commission. In light of this, the Commission waived the penalties on TEP for not building the second line by the 2003 deadline.

In the meantime, Unisource Energy and TEP have completed a number of operational and equipment upgrades in Santa Cruz County. All of these improvements were designed to reduce the number and scope of service interruptions resulting from an outage on the 115 kV line. The Commission has received fewer customer complaints as service disruptions have decreased in their frequency and duration. However, the 115 kV line is still vulnerable to storm-related outages or equipment malfunctions.

Another problem exists in Santa Cruz County relating to the local generation needs during Reliability-Must Run (RMR) conditions. As the power demand grows in the county, the Valencia generating units – the only local source of power – will be relied on during peak hours of the year. The RMR condition would continue to exist even with the construction of the Gateway Project. By the Commission's own estimates, unless additional transmission and generation is added, residents in Santa Cruz County will likely face more service interruptions or planned curtailments during the peak hours of the year by 2010.

Mr. Holub was an intervener in the TEP/Citizens Line Siting case. According to the transcript from the public meetings on this case, Mr. Holub was skeptical about the legitimacy and urgency of the Gateway Project. Here's another interesting note on Mr. Holub. He is vice president of the Maestros Group, which on November 2000 announced its intent to build a 500 megawatt power plant in Nogales. The plan was to sell the excess power – over 400 megawatts – to Mexico and other interested electric utilities in Arizona and California. The \$300 million plant would be fueled by natural gas and use more three million gallons of treated effluent per day.

Several problems have to be overcome if this project were to be built. First, no natural gas supply of that magnitude exists in Santa Cruz County. Second, a second extra high voltage transmission line would be needed to send power to Maricopa County. Third, a special (and costly) type of electrical converter would be needed to export power to Mexico. To date, the Maestros Group has not filed an application with the Line Siting Committee, which is the body responsible for granting preliminary approval for power plant projects.

In July 2004, the Commission asked all interested parties to offer their technical solutions to the reliability problems in Santa Cruz. At this point, no party has submitted its recommendations. The reason? No other technical solutions exist. Don't let a fanciful revision of history mislead you. Time is of the essence. Unisource's customer base has risen from 13,000 to 15,000 since 1999. A second transmission line and additional generation must be built in Santa Cruz County to cure the dual issues of reliability and RMR conditions. I and other Commissioners will work to ensure these things happen.

Jeff Hatch-Miller is the Chairman of the Arizona Corporation Commission. The Commission regulates various public utilities in Arizona, including TEP and Unisource Energy.